



**MCI Telecommunications
Corporation**

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Director
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October 22, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

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Re: CC Docket No. 96-61

Federal Communications Commission
Office of Secretary

Dear Mr. Caton:

In response to a request from the FCC staff, MCI is submitting the following information related to this proceeding.

If the FCC mandates de-tariffing of interstate communications services, MCI will need a minimum of eighteen months to comply. MCI has over seventeen million customers who now take service under our tariffs. This will be an unprecedented change in the way that the long distance industry deals with its customers.

MCI estimates that it will take at least six months to assess and evaluate system requirements due to changes in sales practices, service establishment, how to change rates and terms, how to communicate those changes to customers, and means to establish and enforce contracts with customers. It will take at least another year to change those systems, train our employees and work with complicated industry infrastructures, including but not limited to our arrangements with local exchange carriers for billing and collection, which agreements by their terms often limit billing to "tariffed services". Development associated with de-tariffing would be massive and expensive. Old systems would have to be modified and new systems would have to be created. A number of "housekeeping" chores would have to be coordinated; for example, state tariffs would have to be modified to remove references to the Federal tariff. During this period, MCI would have to research and assure compliance with contract law in all of the states.

In order to meet this schedule, the FCC must grandfather all existing customers under the tariffed terms and conditions in effect on the day that customers are removed from tariff protection. Carriers and customers are entitled to rely on the terms and conditions in effect at the time they purchased service. Without the ability to rely on the continuation of those previously entered agreements, carriers would be required, in effect, to reacquire or reconfirm the terms of their arrangements with every customer. Customers would be required to reconfirm the terms of promised promotional benefits and service offerings.

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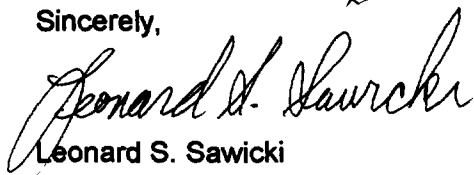
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The attached document outlines some of the additional steps that would be necessary.

Please include this letter and the enclosed copy on the record of this proceeding.

Sincerely,

A handwritten signature in cursive script, reading "Leonard S. Sawicki". The signature is written in black ink and is positioned above the printed name.

Leonard S. Sawicki

Attachment

cc: Mr. Metzger
Ms. Belvin
Mr. Casserly
Mr. Gonzales
Mr. Nakahata

Mandatory detariffing will have enormous practical implications to the business. A long transition from the current tariff environment is essential. Six months will not even remotely permit development of the systems, infrastructure and business models necessary to address detariffing implications. Eighteen months is the minimum period necessary for a rational transition that will minimize the disruption on the existing industry and permit changes that will be acceptable to the public. Some of the impacts include:

CUSTOMER ACQUISITION PROCESSES WILL REQUIRE MAJOR CHANGES: Detariffing will fundamentally affect how carriers acquire new residential customers. Today, the tariff is the primary contract between carriers and their residential customers. The tariff facilitates efficient transactions. In the absence of a tariff, we will need to develop alternative contractual models to document and enforce agreements between carriers and customers, and ensure that the many rights and obligations associated with the use of IXC service are addressed in a legally enforceable manner. This means development of sales and customer acquisition models--and methods of documenting the deal between customer and carrier--that do not exist today, particularly since the majority of residential service transactions occur over the telephone.

At MCI, the practical impact is that we will need to negotiate, document, and be able to enforce between 17-20 million new customer contracts annually in a manner totally different than our current reliance on our tariff contract.

The industry will need substantial time to develop and implement legally enforceable, customer friendly, efficient methods of binding customers to the service offers made over the telephone. This will likely require the development and implementation of new models of obtaining legally enforceable agreements between customer and carrier that do not require signed customer contracts. As the Commission is probably aware, customers transacting business over the telephone do not expect to need to sign a contract or go through further transactional activity. Requiring a signed contract would raise transactional costs to unacceptable levels, and would effectively bring carrier changes to a grinding halt. Because the industry is so reliant upon telephone transactions, an enforceable alternative to signed customer agreements will need to be developed and implemented.

This may require substantial lead times to sort through the numerous state and federal law implications, and may even require litigation to determine enforceability rights and restrictions. Carriers and the public should not be forced to bear the costs of this uncertainty until these matters can be rationally determined.

Detariffing will also inevitably require changes in carrier infrastructure in terms of carrier sales and marketing practices, and in terms of necessary customer communications and fulfillment processes. Some of the possible substitutes for customer contracts will involve the fulfillment to customers of substantially more extensive documents to cover elements currently addressed by tariff. This will require changes in carrier printing, mailing, and system infrastructure processes. Failure to provide adequate lead time to make these necessary changes will penalize carriers unfairly, result in dramatically increased transactional costs (that will inevitably need to be passed on to consumers), and ultimately will disrupt and be a barrier to healthy industry competition.

DEVELOPING THE INFRASTRUCTURE TO SUPPORT ENFORCEABLE CHANGES IN RATES, TERMS AND CONDITIONS WILL REQUIRE MAJOR CHANGES AND A LENGTHY DEVELOPMENT PERIOD: One effect of detariffing could be to eliminate or make less available the flexibility carriers currently enjoy in a tariffed environment to make quick and efficient changes in the RATES, TERMS and conditions of their service offerings. If more extensive and cumbersome customer notifications about rate and other changes become necessary in order to maintain legal enforceability, an entire systems infrastructure will need to be developed and implemented to accomplish necessary customer notifications in an accurate fashion.

This could mean changes in everything from the systems that track the rates each customer has agreed to pay, to the fulfillment systems that will be necessary to deliver more extensive customer notifications and contract modifications in the event of service or rate changes. The necessary changes will require long lead times for design, development and implementation.

DETARIFFING WILL DRAMATICALLY AFFECT CASUALLY BILLED, TRANSACTIONAL SERVICES: One advantage of having a tariff serve as the contract between carrier and customer is the ability to provide service under enforceable terms and conditions to casual, or transactional, service users (for example, collect calling services, 10XXX services, etc.). In the absence of a tariff spelling out the rates and terms of service, how will carriers be able to offer, bill and collect for these services under enforceable terms and conditions? Individual customer contracts are not practical.

Development of the transactional models and billing infrastructures necessary to deal with the impact of losing the tariff for these services will require a lengthy lead time. Changes will be required in billing system infrastructures and in the extensive and complicated billing and collection arrangements between IXC's and Local Exchange Carriers that are essential to collection of amounts due for use of these services. A measured and considered approach to these matters is critically important, and hasty measures forced by the imposition of detariffing without a lengthy period of transition would damage carriers' abilities to bill and collect for these services. It would require carriers either to impose the increased transaction costs associated with this forced transition on to consumers in the form of higher rates, or lead carriers to discontinue the services altogether as economically or systemically not viable in a non-tariffed world.

DETARIFFING WILL REQUIRE MAJOR CHANGES IN BILLING AND COLLECTION INFRASTRUCTURES: Aside from the wrenching changes that detariffing will impose on casually billed services, detariffing will have major systemic impacts on all IXC billing and collections. Today, tariffed rates and terms apply to broad categories of customers. Carriers will now be forced to deal with smaller segments of each market because each sale will constitute an individual offer based on the terms and rates in effect at the time of the sale. Efficiencies derived from reliance upon tariffed classes of service will be lost, and billing infrastructures that do not currently exist will need to be designed, built, tested and implemented.